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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
CONSUMER SERVICES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Check Cashers and Sellers Act of Washington by:

EXPRESSIT, INC., and
CARL E. EHRESMAN, President, Vice-President
and Chairman of the Board of Directors, and
ELAINE L. EHRESMAN, Secretary and Treasurer,
Respondents.

NO. C-05-031-05-SC01

STATEMENT OF CHARGES and
NOTICE OF INTENTION TO ENTER
AN ORDER TO IMPOSE FINE, ORDER
RESTITUTION, BAN FROM INDUSTRY,
AND COLLECT INVESTIGATION FEE

INTRODUCTION

Pursuant to RCW 31.45.110 and RCW 31.45.200, the Director of the Department of Financial Institutions of the State of Washington (Director) is responsible for the administration of chapter 31.45 RCW, the Check Cashers and Sellers Act (Act). After having conducted an investigation pursuant to RCW 31.45.100, and based upon the facts available as of November 18, 2005 the Director institutes this proceeding and finds as follows:

I. FACTUAL ALLEGATIONS

1.1 Respondents.

A. **Expressit, Inc. (Expressit)** was incorporated in the State of Washington on September 10, 1992 and has maintained a corporate license in the State of Washington to date. The nature of Respondent Expressit's business is listed as "Pawn Shop – Mailboxes – Mailing" in the Profit Corporation License Renewal and Annual Reports filed by Respondents for Respondent Expressit with the State of Washington Department of Licensing Master Licensing Service in or around August 2004 and August 2005. Respondent Expressit holds licenses from the City of Lacey, Washington to conduct the following businesses: "Second Hand / Pawn Shop-In" and "Postal Service / Private / Courier Ser-In."

B. **Carl Ehresman (C. Ehresman)** is listed as President, Vice-President, and Chairman of the Board of Directors of Respondent Expressit in the Profit Corporation License Renewal and Annual Reports filed by

1 Respondents for Respondent Expressit with the State of Washington Department of Licensing Master Licensing
2 Service in or around August 2004 and August 2005.

3 C. **Elaine Ehresman** is listed as Secretary and Treasurer of Respondent Expressit in the Profit
4 Corporation License Renewal and Annual Reports filed by Respondents for Respondent Expressit with the State of
5 Washington Department of Licensing Master Licensing Service in or around August 2004 and August 2005.

6 **1.2 Location.** For at least the period beginning July 2003 through February 24, 2005, Respondents have
7 conducted business from 800 Sleater-Kinney Rd SE, Lacey Washington 98503.

8 **1.3 Check Casher License with Small Loan Endorsement.** To date, the Department of Financial
9 Institutions of the State of Washington (Department) has not issued a license to, or received an application
10 from, any of the Respondents to conduct the business of a check casher with a small loan endorsement. To
11 date, the Department has not issued a license to, or received an application from, any person to conduct the
12 business of a check casher with a small loan endorsement from the address listed in paragraph 1.2. The
13 Department also has reason to believe that, for at least the period beginning July 2003 through February 24,
14 2005, Respondents have not had the statutorily required surety bond to engage in the business of making small
15 loans.

16 **1.4 Temporary Order to Cease and Desist.** On February 24, 2005, the Department issued Temporary
17 Order to Cease and Desist C-05-031-05-TD01 (TCD) and served the TCD on Respondents. The TCD ordered
18 Respondents to immediately cease and desist from: the making of any small loans and from all small loan
19 activity regulated under the Act at any locations; and engaging in any loan business or from negotiation of loan
20 activity regulated under the Act at any locations. Respondents filed timely applications requesting an
21 adjudicative hearing on the TCD. On April 25, 2005, Respondents withdrew their applications for adjudicative
22 hearing on the TCD and agreed to the continuation of the TCD pending completion of the Department's
23 investigation.

24 **1.5 Unauthorized Making of Small Loans.** Respondents have engaged in the business of making small
25 loans from the address listed in paragraph 1.2 from at least July 2003 through February 24, 2005.

1 A. On February 15, 2005, Department personnel visited Respondents at the address listed in
2 paragraph 1.2. During that visit, Respondent C. Ehresman stated that Respondents:

- 3 • give small loans for periods of up to thirty (30) days; and
- 4 • give small loans from one hundred dollars (\$100.00) up to seven hundred dollars (\$700.00)
5 per loan period; and
- 6 • charge fifteen dollars (\$15.00) of interest per loan period for each one hundred dollars
7 (\$100.00) loaned; and
- 8 • have approximately one hundred (100) small loans outstanding at any one time; and
- 9 • take checks from borrowers as collateral for small loans; and
- 10 • at the end of the loan period, either cash the collateral check, or give the collateral check
11 back to the borrower if the borrower provides Respondents with the amount of the
12 collateral check in cash, or hold onto the collateral check or exchange the check for a new
13 one if the borrower wishes to extend the small loan (discussed further in paragraph 1.10).

14 Also during that visit, Department personnel observed a sign near the cash register with the following text:

15 “Send us a customer. We will give you \$15.00. Ask for Details. Delayed
16 check cashing only. Does not apply to pawn.”

17 B. On February 24, 2005, after the TCD discussed in paragraph 1.4 was served on Respondents,
18 Department personnel observed Respondent C. Ehresman complete a small loan transaction with a customer.

19 C. On February 15, 2005, Subpoena to Produce Records C-05-031-05-SB01 (Subpoena) was issued
20 by the Department and served on Respondents. Pursuant to this subpoena, Respondent C. Ehresman provided
21 Department personnel with small loan files for over three hundred seventy-five (375) borrowers, each with small
22 loan activity during at least the period from July 2003 through February 15, 2005. According to these small loan
23 files, over two hundred (200) consumers had outstanding small loans, with principal balances totaling over one
24 hundred nine thousand dollars (\$109,000.00), due to Respondents as of February 15, 2005. In addition,
25 Respondents provided Department personnel with over three hundred twenty-five uncashed checks from small loan
borrowers, totaling over one hundred forty-eight thousand dollars (\$148,000.00).

 D. From July 2003 through February 2005, Respondents made over two million three hundred
forty thousand dollars (\$2,340,000.00) in deposits and over two million two hundred forty thousand dollars
(\$2,240,000.00) in withdrawals in their “Expressit Loans” operating account at Sterling Savings Bank.

1 **1.6 Failing to Disclose Terms of Small Loans to Borrowers.** Respondents have failed to provide
2 borrowers with statutorily required written agreements or written disclosures during the course of making small
3 loans.

4 A. During the February 15, 2005 visit by Department personnel discussed in paragraph 1.5A,
5 Respondent C. Ehresman stated that the only written document related to a small loan provided to borrowers by
6 Respondents is a slip of paper with blank spaces for the transaction date, receipt number, borrower's social security
7 number, borrower's name, cash received, check number, check amount, borrower signature, and the following text:

8 "I ACKNOWLEDGE RECEIPT OF THE ABOVE AMOUNT FROM CASHING
9 MY CHECK AND I REQUEST EXPRESS LOANS TO DEPOSIT MY CHECK ON
10 MY PAYDAY, WHICH DATE IS _____. THERE IS A 15 DAY WAITING
PERIOD AFTER THE DATE OF DEPOSIT OF YOUR CHECK BEFORE
ANOTHER CHECK CAN BE CASHED UNLESS YOU PROVIDE PROOF
SHOWING IT HAS CLEARED ** NO EXCEPTION**
***** \$30.00 CHARGE ON ALL RETURNED CHECKS *****"

11 B. None of the small loan files discussed in paragraph 1.5C contain copies of statutorily required
12 written agreements or written disclosures.

13 **1.7 Making Small Loans in Excess of Statutory Maximum.** Respondents have provided borrowers with
14 small loans with aggregated principal exceeding seven hundred dollars (\$700.00) at any one time.

15 A. As of February 15, 2005, at least twenty-four (24) borrowers had small loans due to
16 Respondents with aggregated principal exceeding seven hundred dollars (\$700.00). At least seven (7) of these
17 borrowers had small loans due to Respondents with aggregated principal of one thousand four hundred dollars
18 (\$1,400.00) or more (twice the statutory limit), and at least four (4) of these borrowers had small loans due to
19 Respondents with aggregated principal of two thousand one hundred dollars (\$2,100.00) or more (three times
20 the statutory limit). The highest aggregated principal balance of any of these borrowers was at least eight
thousand dollars (\$8,000.00).

21 B. Between July 2003 and February 15, 2005, Respondents made at least ninety-seven (97) small
22 loans, with aggregated principal balances exceeding seven hundred dollars (\$700.00) at any one time, to at least
23 eleven (11) borrowers.

1 **1.8 Charging Interest or Fees on Small Loans in Excess of Statutory Maximum.** Respondents have
2 charged interest or fees in the aggregate exceeding fifteen percent (15%) of the first five hundred dollars
3 (\$500.00) of aggregated principal and ten percent (10%) of the next two hundred dollars (\$200.00) of
4 aggregated principal of small loans outstanding at any one time.

5 A. During the February 15, 2005 visit by Department personnel discussed in paragraph 1.5A,
6 Respondent C. Ehresman stated that Respondents charge fifteen dollars (\$15.00) of interest in each loan period for
7 each one hundred dollars (\$100.00) loaned, and loan up to seven hundred dollars (\$700.00) per loan period.

8 B. As of February 15, 2005, at least forty-six (46) borrowers had small loans outstanding with
9 Respondents where interest or fees were being charged that, in the aggregate, exceeded fifteen percent (15%) of
10 the first five hundred dollars (\$500.00) of aggregated principal and ten percent (10%) of the next two hundred
dollars (\$200.00) of aggregated principal.

11 C. Between July 2003 and February 15, 2005, Respondents made at least one hundred forty-two
12 (142) small loans where interest or fees were charged that, in the aggregate, exceeded fifteen percent (15%) of
13 the first five hundred dollars (\$500.00) of aggregated principal and ten percent (10%) of the next two hundred
14 dollars (\$200.00) of aggregated principal, to at least thirteen (13) borrowers.

15 **1.9 Accepting Multiple Postdated Checks.** Respondents have accepted more than one postdated check
16 per small loan as security for the small loan. As of February 15, 2005, at least sixty-three (63) borrowers had
17 provided two (2) or more postdated checks as security for their outstanding small loans.

18 **1.10 Small Loans Repaid with Proceeds of Successive Small Loans (Rolling).** Respondents have allowed
19 borrowers to extend existing small loans by paying the interest portion of their small loan balance when the
20 small loan was due and either allowing Respondents to change the date on their postdated check to a later date
21 or exchanging their postdated check for a new check postdated to a later date than the original, effectively
22 allowing borrowers to repay small loans with proceeds from successive small loans. This practice is commonly
23 referred to as rolling loans.

1 A. During the February 15, 2005 visit by Department personnel discussed in paragraph 1.5A,
2 Respondent C. Ehresman stated that borrowers are allowed to extend their small loans for up to thirty (30) days by
3 paying the interest portion of their small loan balance or by providing a new check in exchange for the check held
4 as collateral by Respondents. Respondent C. Ehresman referred to this practice as "rolling" or "extending" the
5 loan.

6 B. Between July 2003 and February 15, 2005, at least thirteen (13) borrowers were allowed to repay
7 small loans with proceeds from successive small loans at least once. At least eight (8) of these borrowers
8 extended their small loans throughout the entire period:

- 9 • one borrower appears to have been extending small loans with aggregated principal balances ranging
10 from \$600 to \$1,875.00 since at least August 1997, paying over \$19,500.00 in interest during that
11 period and still owing Respondents \$2,160.75 (including interest) as of February 15, 2005;
- 12 • one borrower appears to have been extending small loans with aggregated principal balances of
13 \$800.00 since at least March 2000, paying almost \$7,000.00 in interest during that period and still
14 owing Respondents \$920.00 (including interest) as of February 15, 2005;
- 15 • one borrower appears to have been extending small loans with aggregated principal balances of
16 \$200.00 since at least May 2000, paying over \$1,700.00 in interest during that period and still owing
17 Respondents \$230.00 (including interest) as of February 15, 2005;
- 18 • one borrower appears to have been extending small loans with aggregated principal balances of
19 \$400.00 since at least June 2000, paying almost \$3,400.00 in interest during that period and still
20 owing Respondents \$460.00 (including interest) as of February 15, 2005;
- 21 • one borrower appears to have been extending small loans with aggregated principal balances ranging
22 from \$800.00 to \$850.00 since at least June 2001, paying almost \$5,300.00 in interest during that
23 period and still owing Respondents \$920.00 (including interest) as of February 15, 2005;
- 24 • one borrower appears to have been extending small loans with aggregated principal balances ranging
25 from \$500.00 to \$800.00 since at least August 2001, paying almost \$3,700.00 in interest during that
period and still owing Respondents \$575.00 (including interest) as of February 15, 2005;
- one borrower appears to have been extending small loans with aggregated principal balances ranging
from \$400.00 to \$1,700.00 since at least December 2002, paying over \$3,000.00 in interest during
that period and still owing Respondent Expressit \$1,955.00 (including interest) as of February 15,
2005;
- one borrower appears to have been extending small loans with aggregated principal balances ranging
from \$500.00 to \$1,300.00 since at least September 2003, paying \$2,100.00 in interest during that
period and still owing Respondents \$1,495.00 (including interest) as of February 15, 2005.

21 **1.11 On-Going Investigation.** The Department's investigation into the alleged violations of the Act by
22 Respondents continues to date.

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II. GROUNDS FOR ENTRY OF ORDER

2.1 Definition of Check Casher. Pursuant to RCW 31.45.010(5), a "Check Casher" is defined as an individual, partnership, unincorporated association, or corporation that, for compensation, engages, in whole or in part, in the business of cashing checks, drafts, money orders, or other commercial paper serving the same purpose.

2.2 Definition of Licensee. Pursuant to RCW 31.45.010(12), a "Licensee" is defined as a check casher or seller licensed by the director to engage in business in accordance with the Act. For the purpose of the enforcement powers of the Act, including the power to issue cease and desist orders under RCW 31.45.110, "licensee" also means a check casher or seller who fails to obtain the license required by the Act.

2.3 Definition of Small Loan. Pursuant to RCW 31.45.010(19), a "Small Loan" is defined as a loan up to the maximum amount and for a period of time up to the maximum term specified in RCW 31.45.073. (See paragraph 2.7).

2.4 Check Casher License Required. Based on the Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW 31.45.030(1) for engaging in the business of a check casher without first obtaining a license from the Director.

2.5 Small Loan Endorsement Required. Based on the Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW 31.45.070 and RCW 31.45.073 for engaging in the business of making small loans without first obtaining a small loan endorsement from the Director.

2.6 Small Loan Disclosures Required. Based on the Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW 31.45.088(3), WAC 208-630-065, WAC 208-630-068 and WAC 208-630-080(3) for failing to provide disclosures to small loan borrowers including the terms of the small loan, the principal amount of the small loan, the total of payments of the small loan, the fee or interest rate charged by the licensee on the small loan, and the annual percentage rate resulting from this fee or interest rate.

1 **2.7 Statutory Maximum Principal Amount of Small Loan.** Based on the Factual Allegations set forth in
2 Section I above, Respondents are in apparent violation of RCW 31.45.073(2) for making small loans with
3 aggregated principal exceeding seven hundred dollars (\$700.00) at any one time.

4 **2.8 Statutory Maximum Interest or Fees on Small Loan.** Based on the Factual Allegations set forth in
5 Section I above, Respondents are in apparent violation of RCW 31.45.073(3) for charging interest or fees in the
6 aggregate exceeding fifteen percent (15%) of the first five hundred dollars (\$500.00) of principal and ten
7 percent (10%) of the next two hundred dollars (\$200.00) of principal of the small loans.

8 **2.9 Acceptance of Multiple Postdated Checks.** Based on the Factual Allegations set forth in Section I
9 above, Respondents are in apparent violation of RCW 31.45.073(4) for accepting more than one postdated
10 check per small loan as security for the small loan.

11 **2.10 Small Loan Repaid with Proceeds of Another Small Loan.** Based on the Factual Allegations set
12 forth in Section I above, Respondents are in apparent violation of RCW 31.45.073(4) and WAC 208-630-
13 085(2)(a) for redeeming post dated checks held as collateral for small loans with subsequent post dated checks,
14 and for applying the proceeds of subsequent small loans to outstanding small loans.

15 **2.11 Authority to Impose Fine.** Pursuant to RCW 31.45.110(2)(c), the Director may impose a fine, not to
16 exceed one hundred dollars per day for each day's violation of the Act, on any licensee or applicant, or any
17 director, officer, sole proprietor, partner, controlling person, or employee of a licensee or applicant, that is
18 violating or has violated the Act including rules and orders, or is a source of injury or loss to the public.

19 **2.12 Authority to Order Restitution.** Pursuant to RCW 31.45.110(2)(d), the Director may order restitution
20 to borrowers damaged by the licensee's violation of this chapter.

21 **2.13 Authority to Remove and Ban from the Industry.** Pursuant to RCW 31.45.110(2)(e), the Director
22 may remove from office or ban from participation in the conduct of the affairs of any licensee any director,
23 officer, sole proprietor, partner, controlling person, or employee of a licensee that is violating or has violated the
24 Act including rules and orders, or is a source of injury or loss to the public.

1 **2.14 Authority to Charge Investigation Fee.** Pursuant to RCW 31.45.050(1), RCW 31.45.100, WAC 208-
2 630-015, WAC 208-630-020, WAC 208-630-023 and WAC 208-630-02303, the Director shall collect from the
3 licensee the actual cost of an examination or investigation of the business, books, accounts, records, files, or other
4 information of a licensee or person who the Director has reason to believe is engaging in the business governed by
5 the Act. The investigation charge will be calculated at the rate of sixty-nine dollars and one cent (\$69.01) per hour
6 that each staff person devoted to the investigation, plus actual expenses.

7 **III. NOTICE OF INTENTION TO ENTER ORDER**

8 Respondents' violations of the provisions of chapter 31.45 RCW and chapter 208-630 WAC, as set forth in
9 the above Factual Allegations and Grounds for Entry of Order, constitute a basis for the entry of an Order under
10 RCW 31.45.110 and RCW 31.45.200. Therefore, it is the Director's intention to ORDER that:

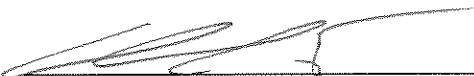
- 11 **3.1** Respondents Expressit, Inc., Carl Ehresman, and Elaine Ehresman jointly and severally pay a fine of
\$72,800 for:
- 12 **a.** Engaging in the business of a check casher making small loans without a check casher license with a
small loan endorsement, calculated at \$100 per day for 578 days; and
 - 13 **b.** Failing to disclose the terms of small loans to borrowers, calculated at \$100 per day for 30 days; and
 - 14 **c.** Making small loans in excess of the statutory maximum, calculated at \$100 per day for 30 days; and
 - 15 **d.** Charging interest or fees on small loans in excess of the statutory maximum, calculated at \$100 per day
for 30 days; and
 - 16 **e.** Accepting multiple postdated checks for small loans, calculated at \$100 per day for 30 days; and
 - 17 **f.** Allowing small loans to be repaid with the proceeds of successive small loans, calculated at \$100 per
day for 30 days; and
- 18 **3.2** Respondents Expressit, Inc., Carl Ehresman, and Elaine Ehresman jointly and severally pay restitution to
all affected borrowers for any interest or fees collected on small loans originated without a license from
July 2003 through the date of this order; and
- 19 **3.3** Respondent Expressit, Inc. be banned from participation in the conduct of the affairs of any check casher or
check casher with a small loan endorsement or check seller subject to licensure by the Director, in any
manner, for a period of five (5) years; and
- 20 **3.4** Respondent Carl Ehresman be banned from participation in the conduct of the affairs of any check casher
or check casher with a small loan endorsement or check seller subject to licensure by the Director, in any
manner, for a period of five (5) years; and
- 21 **3.5** Respondent Elaine Ehresman be banned from participation in the conduct of the affairs of any check casher
or check casher with a small loan endorsement or check seller subject to licensure by the Director, in any
22 manner, for a period of five (5) years; and

1 3.6 Respondents Expressit, Inc., Carl Ehresman, and Elaine Ehresman jointly and severally pay an
2 investigation fee in the amount of \$8,483.46, calculated at \$69.01 per hour for ninety-four (94) staff hours
devoted to the investigation plus \$1,996.52 in expenses related to the investigation.

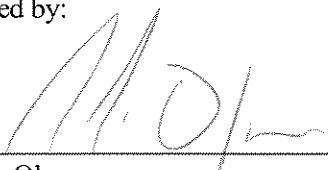
3 IV. AUTHORITY AND PROCEDURE

4 This Statement of Charges and Notice of Intention to Enter an Order to Impose Fine, Order Restitution, Ban
5 from Industry, and Collect Investigation Fee (Statement of Charges) is entered pursuant to the provisions of
6 RCW 31.45.110 and RCW 31.45.200, and is subject to the provisions of chapter 34.05 RCW (The
7 Administrative Procedure Act). Respondents may make a written request for a hearing as set forth in the
8 NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this
Statement of Charges.

9
10 Dated this 18th day of November, 2005.

11
12 
13 CHUCK CROSS
14 Director
Division of Consumer Services
Department of Financial Institutions

15 Presented by:

16 
17 Mark T. Olson
Financial Examiner

